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# SMART NEWS

February 2012

## A Bi-monthly e-bulletin of the Massachusetts Deferred Compensation SMART Plan

### Message from the Director, Deferred Compensation

Am I saving enough?

Many participants ask me How much do I need to save to reach my retirement goals? As discussed in previous eBulletins, experts suggest that participants will need to replace up to 70-80% of pre-retirement income to maintain a similar lifestyle in retirement. Given that most participants in the SMART Plan are likely paying into the State pension system or a municipal defined benefit retirement plan, where benefits are calculated based on age and years of service, we can use a simple rule to calculate a deferral savings rate to meet your retirement needs. Russell Investments has developed the TRI30 formula\* to help guide participants in deciding on a savings rate that will give them the best chance at success. To calculate your savings rate under the TRI30 formula take your Target Replacement Income (TRI) rate multiplied by 30%. For example, if you are anticipating a defined benefit pension of 60% of your highest three year (five years under the new pension reform law) average of regular compensation, you would need an additional 20% of replacement income to reach the 80% target. In this scenario, a SMART plan participant would need to save at a rate of 6% (20% X 30%) to reach their goal of the 20% replacement rate. I know that everyone's situation is different and this formula is only offered as a tool to help guide participants when planning for retirement.

\* For more information on the assumptions used in the TRI30 model please visit the Russell Investments website at [Russell.com](http://Russell.com)

David Lynch

### A Fresh Look at Preparing for Retirement Part Two

Where are Americans on their journey towards retirement? The retirement burden is increasingly falling on individuals no matter how prepared, to undertake their own retirement security. There are three main retirement concerns that impact individual confidence and outlook: they doubt Social Security will be much help; they don't feel they'll maintain today's lifestyle; and they fear being dependent upon others.<sup>1</sup>

Most workers admit that while they had begun saving for retirement, they still need to save much more money. Many also admitted to a lack of saving and planning or simply not thinking about retirement all together.

In part one (December/January issue) of this article, we shared that participants saving for retirement, in addition to an income replacement rate towards the 80 percent needed to maintain pre-retirement living standards, should make the right decisions when building their retirement portfolio by considering proper asset allocations and contributions amounts, as well as choosing to participate in a sensible retirement program like the SMART Plan.

1. Retirement Savings attitudes and Actions, by AllianceBernstein, Defined Contribution Investments

#### SMART Plan Participant Testimonial

In this issue we feature Shawnora an employee at the Department of Water Development

"I am a proud participant in the SMART Plan. I am 36 years old and have found that I prefer the SMART Plan as my supplemental retirement option. I like the SMART Plan and will stick with it until I retire. I encourage anyone who has a deferred compensation plan option available to them to use it because it really is easy to participate in and the benefits are good when you consider other supplemental retirement alternatives.

Shawnora of DWD

### How much Replacement Income is needed in retirement?

Are you on track for a comfortable retirement? Studies continually show that most financial advisors recommend a savings rate of between 6% - 10%. Each situation indeed is different (based on how much you make, if you are married or single, etc). It will also depend on when you start saving for retirement and when you plan to retire.

For the average American who starts saving at age 35, the 10% saving rule may be reasonable. However, for those who start saving later in life or have higher incomes, a larger savings rate may be required.

Overall, many studies indicate that the average American may need (want) 80% or more of his or her pre-retirement income for several reasons, depending on: retirement spending habits, shift in tax policies, desire to help fund a grandchild's college fund, or if he or she plans to retire before their Social Security retirement age. For younger workers, they may need to save at a rate of 10% or more if Social Security benefits are reduced.

### Tips and Approaches

#### Have You Seen our Testimonial Video???

The Deferred Compensation SMART Plan Testimonial Video, located on our homepage offers the keen viewpoints and testimonies of fellow colleagues and workers about the Plan. Visit the SMART Plan homepage at [www.mass.gov/smartplan](http://www.mass.gov/smartplan). Simply click the play button and watch and listen to what your fellow colleagues have to say about the plan.

### Remote CART Access and ASL Interpreter Services

#### SMART Retirement & Beyond Seminars and Deferred Compensation Employee Information Sessions

The Massachusetts Deferred Compensation SMART Plan holds information sessions across the Commonwealth for state employees who wish to enroll or obtain further details regarding investment in the SMART Plan. As part of our plan outreach, we encourage you to help us coordinate any accessibility request by providing and offering of both **CART (Communication Access Real-time Translation) Services, and ASL American Sign Language**. These services are a partnership of the Massachusetts State Board of Retirement, The Massachusetts Deferred Compensation SMART Plan and the Financial Education Division of the Massachusetts State Treasury.

### Revisited -- SMART Plan Top 8 List of 'SMART' Things for 2012

In our last issue, we shared our "Top 8 List of SMART Things for 2012." The list offered some good starting points for new - or savvy investors, wishing to maximize retirement portfolio returns or become better versed in the basic, yet relevant steps an individual should consider performing annually. Whether your goal is to begin saving and investing for retirement, or simply to maximize your working investment, you should revisit the list and start saving today!!!

And remember, past issues of the **SMART NEWS eBulletin** and the **UPDATE Quarterly Newsletter** can be found on our website at [mass.gov/smartplan](http://mass.gov/smartplan). For the eBulletin, simply scroll down the left side shaded box on the homepage and click Bulletins. For the Newsletter, choose Educate > Articles, Resources & Links to find and read the current and/or past issues.

**Share your Story. Send us Your Feedback or Testimonial**  
**We would love to know what you think!**

**If you are an active SMART Plan member and wish to take part in future Plan Participant Testimonials, send us your email. Please let us know if you have any comments or questions about any of these articles or the bulletin in general. Email us at [smartplan@tre.state.ma.us](mailto:smartplan@tre.state.ma.us)**

### Account Check-Up

Have you met with or spoken to your local Representative? Perhaps now might be a good time to contact your SMART Plan Representative to review your retirement strategies and investment allocations and to determine whether your asset allocations are at the proper levels and your savings are working toward your retirement goal.

### Join the Massachusetts Deferred Compensation SMART Plan today!

Whether you've been employed for years or are a new state or municipal employee, put the Massachusetts Deferred Compensation SMART Plan to work for you. Enroll online at [www.mass.gov/smartplan](http://www.mass.gov/smartplan), or call 877-457-1900 to speak with a Plan Representative.

### Upcoming SMART Retirement & Beyond Seminars near you

Join us in March for SMART Retirement & Beyond, a retirement planning seminar series exclusively for Massachusetts State Employees sponsored by State Treasurer Steven Grossman and the Massachusetts State Board of Retirement. Following is an updated seminar schedule. Visit <http://www.mass.gov/treasury/financial-education/smart-retire-beyond/> to register.

March 8	Massachusetts Maritime Academy	6-8pm
March 15	Middlesex Community College	6-8pm
March 22	UMass/Amherst	6-8pm
March 29	Roxbury Community College	6-8pm
March 30	Roxbury Community College	12:00-2:00pm

### Online Access/Updates

Have you checked your SMART Plan account online lately? If not, we encourage you to access your account at [www.mass.gov/smartplan](http://www.mass.gov/smartplan) to review your investment options. While online, take a moment to review all of the planning resources available.

For questions about your SMART Plan, call (877) 457-1900 to speak to a Customer Service Representative, Monday through Friday, 9:00am to 8:00pm Eastern Time. Or contact your local SMART Plan Representative by calling (877) 457-1900, option 2.

### Continue Saving in the Massachusetts Deferred Compensation SMART Plan

Even if you are no longer employed by the Commonwealth of Massachusetts, you can keep your Deferred Compensation SMART Plan account balance. In fact, you have a number of options with your SMART Plan account:

### SMART Plan Enhancement

#### Update: International Equity Fund

As part of the ongoing performance review of the Massachusetts Deferred Compensation SMART Plan investment options, MFS Investment Management has been selected to replace AllianceBernstein as one of the underlying SMART Plan International Equity Fund managers. This change is effective as of close of business (4 p.m.) on February 29, 2012. MFS will manage 70% of the total portfolio. The objective of this fund remains unchanged. If you have any questions regarding this change please contact the SMART Plan at 1-877-457-1900.

### **Continue Saving in the Massachusetts Deferred Compensation SMART Plan**

Even if you are no longer employed by the Commonwealth of Massachusetts, you can keep your Deferred Compensation SMART Plan account balances. In fact, you have a number of options with your SMART Plan account:

#### **Six Reasons to Stay with the SMART Plan**

**1. You might pay less in fees if you stay in the SMART Plan.**

If you are considering a rollover of your SMART Plan account be sure to compare your current SMART Plan fee structure with the firm you are considering. Be sure that you are aware of ALL the possible fees that you will have to pay. Fees may be assessed within the performance or pricing of the investment options. Be sure to ask for a full disclosure of all fees associated with any new Plan. Consider all options. After all, it's your money.

**2. The SMART Plan is low-cost.**

The SMART Plan offers you investment products that are competitively priced when compared to many other mutual funds. Low investment fees continue to keep more of your retirement money working for you in your portfolio.

**3. You can roll money into the SMART Plan.**

If you have qualified plan assets, such as a 401(k) or Individual Retirement Account (IRA), you may be eligible to roll over these assets into the SMART Plan. You have the opportunity to consolidate your retirement funds so that you receive one benefit statement for all plans from one service provider.

**4. You retain distribution flexibility with a variety of payout options.**

You can keep your money in the SMART Plan even if you retire or leave your job or you may choose from a variety of distribution options to suit your financial needs, including periodic payments and partial withdrawals. You can also change your distribution arrangement as many times as necessary to meet your needs.<sup>1</sup>

**5. Quick and easy transfers among investment options are still available.**

Stay in your SMART Plan and there is no paperwork to transfer your assets among investment options. Transfers made online or by phone are processed within 24 hours.<sup>2</sup>

**6. The SMART Plan offers flexible, easy account management.**

You may continue to call the service center at (800) 457-1900<sup>2</sup> or speak with a local SMART Plan representative about your plan-specific questions.<sup>3</sup> The website at [mass.gov/smartplan](http://mass.gov/smartplan)<sup>2</sup> allows you to log in to your SMART Plan account to manage your retirement savings and access financial education information that can help you effectively prepare for retirement. Access the service center, local representatives and the website at any time for account information or to make changes to your investments.

[side bar: The SMART Plan offers tax-deferred growth, professional money management, and flexible distribution options with added benefits like low costs, flexibility, and access to valuable services. Consider keeping your SMART Plan dollars in the Plan.]

<sup>1</sup> You must begin receiving payments by April 1 of the calendar year following the later of the calendar year in which you attain age 70 or the calendar year in which you retire.

<sup>2</sup> Access to voice response system and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the website or the voice response system received on business days prior to close of the New York Stock Exchange (1:00 p.m. Pacific Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

<sup>3</sup> Representatives of GWTS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

**Please forward this bulletin to anyone who might be interested in receiving it or may have been omitted from this mailing.**